

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2010 AND 2009

GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2010

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Chris Schafer, Chairperson	Adair, Iowa	2010
Doug Hemphill, Vice-Chairperson	Panora, Iowa	2010
Peg Shroyer, Secretary	Panora, Iowa	2014
Jim Robson, Treasurer	Guthrie Center, Iowa	2012
Roberta Simmons	Panora, Iowa	2012
Rodney Carr	Guthrie Center, Iowa	2014
Mary Sheeder	Guthrie Center, Iowa	2010
 <u>Administrator:</u>		
Gerald Neal	Guthrie Center, Iowa	
 <u>Chief Financial Officer:</u>		
Melinda Alt	Audubon, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the accompanying balance sheets of Guthrie County Hospital as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Guthrie County Hospital as of June 30, 2010 and 2009, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2010 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees
Guthrie County Hospital

The management's discussion and analysis on pages 4 through 4g and the budgetary comparison schedule on page 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (none of which are presented herein) and expressed qualified opinions on those financial statements. The supplementary information (shown on pages 22 through 37) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Groneveld, Bell, Kyles & Co. P.C.

Atlantic, Iowa
September 17, 2010

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets increased approximately \$1,560,000 during fiscal year 2010. Net assets, or total assets net of total liabilities, increased by approximately \$872,000 during fiscal 2010, an increase of approximately 10.9 percent.

The Hospital reported operating revenues for the year of \$10.6 million, an increase of approximately \$1,163,000 or 12.4 percent. Net revenues, or revenues after all expenditures, for 2010 were \$712,904, an increase of \$342,015 from 2009.

The Hospital reported expenditures for the year of \$11.1 million, an increase of approximately \$810,000 or 7.9 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Therefore, all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

GUTHRIE COUNTY HOSPITAL

Management's Discussion and Analysis - Continued

The first two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The following table, Table 1, presents a summary of the Hospital's Balance Sheets.

Table 1
Condensed Balance Sheets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Current assets	\$ 3,834,335	\$ 4,541,475	\$ 4,247,961
Designated and restricted assets	--	--	810,990
Capital assets, net	10,326,982	8,135,860	6,207,903
Other noncurrent assets	<u>127,168</u>	<u>54,943</u>	<u>35,204</u>
Total assets	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>
Liabilities:			
Current liabilities	\$ 3,044,653	\$ 2,950,190	\$ 2,156,206
Long-term debt	<u>2,407,500</u>	<u>1,817,500</u>	<u>1,880,000</u>
Total liabilities	<u>5,452,153</u>	<u>4,767,690</u>	<u>4,036,206</u>
Net Assets:			
Invested in capital assets, net of related debt	7,003,926	5,779,942	4,021,067
Restricted - expendable	242,210	80,556	80,110
Unrestricted	<u>1,590,196</u>	<u>2,104,090</u>	<u>3,164,675</u>
Total net assets	<u>8,836,332</u>	<u>7,964,588</u>	<u>7,265,852</u>
Total liabilities and net assets	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>

A significant component of the change in the Hospital's assets is the investment in the new building and equipment. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was the increased borrowing from the 2009 Bond Issue. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2010, 2009, and 2008.

Table 2
Condensed Operating Results and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue:			
Net patient service revenue	\$ 10,355,628	\$ 9,189,319	\$ 8,718,451
Other revenue	<u>194,951</u>	<u>198,102</u>	<u>193,380</u>
Total revenue	<u>10,550,579</u>	<u>9,387,421</u>	<u>8,911,831</u>
Expenses:			
Salaries and benefits	7,396,404	6,593,106	5,834,849
Professional fees	385,456	642,935	554,016
Supplies, contract services, equipment & other operating expenses	<u>2,512,356</u>	<u>2,312,582</u>	<u>2,230,229</u>
Depreciation and amortization	<u>790,331</u>	<u>725,890</u>	<u>661,177</u>
Total expenses	<u>11,084,547</u>	<u>10,274,513</u>	<u>9,280,271</u>
Operating Loss	<u>(533,968)</u>	<u>(887,092)</u>	<u>(368,440)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,282,244	1,283,702	1,194,367
Investment income	13,911	38,054	52,034
Noncapital grants and contributions	30,317	40,479	21,927
Interest expense	(79,600)	(98,982)	(62,011)
Other nonoperating revenues and expenses, net	<u>--</u>	<u>(5,272)</u>	<u>(510)</u>
	<u>1,246,872</u>	<u>1,257,981</u>	<u>1,205,807</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	712,904	370,889	837,367
Capital Grants and Contributions	<u>158,840</u>	<u>327,847</u>	<u>250,000</u>
Increase in net assets	871,744	698,736	1,087,367
Net Assets Beginning of Year	<u>7,964,588</u>	<u>7,265,852</u>	<u>6,178,485</u>
Net Assets End of Year	<u>\$ 8,836,332</u>	<u>\$ 7,964,588</u>	<u>\$ 7,265,852</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have decreased.

Management's goal in 2010 was to continue the effort to increase the volume of patients treated while positioning the hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2010 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. The new practitioners have enabled the Hospital to offer new services. We have resolved a number of operating issues with the hospital and clinic buildings and have continued upgrading the Hospital's physical plant.

During calendar year 2007, we completed the additions in Pharmacy, Radiology and the Emergency Department. Each of these additions has had a positive response from the community.

The Operating Room addition and Rehab and Education additions were both completed in February, 2009. These additions have had a positive response from the community.

In May 2010, we completed construction of the 4 new Patient Room addition. This addition along with the new Medical Office building that was completed in July 2010 will allow us to expand our services into orthopedics.

The primary components of these decreased operating losses were:

An increase in net revenue of \$1,163,000 or 12.4%.

Increases in salary and benefit costs for the Hospital's employees (\$803,300 or 12.2% in 2010 and \$758,300 or 13.0% in 2009). This increase is due to the continued adjustments made in salaries to match market conditions and to increases in health insurance costs.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital and interest income reported as investment earnings.

The Hospital's Non-operating Revenues and Expenses decreased by \$11,109 comparing fiscal 2010 versus 2009. Interest expense decreased by \$19,382 as a result of payments made to the 2006 Bond issue.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows used in operating activities for 2010 were \$506,695. Comparatively, for fiscal 2009, cash flows provided by operating activities were \$803,216, a net change of \$1,309,911. This change was due to significantly decreased cash receipts, and increasing expenses. The increases in expenses were primarily in a couple areas. First, staffing of the Emergency Department, Panora and Adair Clinics was changed to better serve the community. Finally, investments were continued to be made in the Hospital's physical plant.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2010 was prepared on the modified accrual basis. Actual budget basis revenues were higher than the budgeted amount of \$11,970,395 by \$65,496 or about 0.5 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$11,164,147 as compared to budgeted expenditures of \$11,600,000, a difference of \$435,853 or about 3.8 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$2,981,453. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2010 Cost</u>
4 Patient Room Addition	Miscellaneous	Nursing	\$ 1,474,600
13 th Street	Cedar Valley Corporation	Land Improvement	587,580
Electronic Health Record	Medhost	Emergency Room	173,869
C-Arm Machine	Philips Medical Systems	Radiology	111,255

Capital assets for the years ended June 30, 2010, 2009, and 2008 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 1,110,421	\$ 458,551	\$ 357,452
Buildings	9,652,220	8,157,269	6,443,304
Fixed equipment	1,722,312	1,560,083	1,546,442
Major movable equipment	<u>3,697,583</u>	<u>3,303,897</u>	<u>2,829,736</u>
Subtotal	16,182,536	13,479,800	11,176,934
Less accumulated depreciation	6,693,946	5,907,814	5,223,417
Construction in progress	<u>838,392</u>	<u>563,874</u>	<u>254,386</u>
Net capital assets	<u>\$ 10,326,982</u>	<u>\$ 8,135,860</u>	<u>\$ 6,207,903</u>

Net capital assets increased as the Hospital has upgraded existing facilities and equipment. The Hospital is also in the process of building new space to accommodate increasing outpatient services. See discussion in the section titled CURRENTLY KNOWN FACTS.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$2,917,500 in short-term and long-term debt. The total debt amount increased by \$910,000 in fiscal year 2010. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 20.4% of the Hospital's total assets at June 30, 2010.

CURRENTLY KNOWN FACTS

At the time these financial statements were prepared and audited, the Hospital had just completed its Medical Office Building addition at an approximately cost of \$870,000. The project is mainly being funded by a 2009 Bond issue.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Balance Sheets
June 30,

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 398,618	\$ 1,426,524
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$421,100 in 2010, \$386,500 in 2009)	1,242,396	1,167,168
Other receivables	23,957	18,842
Inventory	206,368	197,114
Prepaid expense	115,649	96,163
Other current assets	19,465	27,490
Estimated third-party payor settlements	213,000	--
Succeeding year property tax receivable	1,372,000	1,250,400
Internally designated assets	<u>242,882</u>	<u>357,774</u>
Total current assets	3,834,335	4,541,475
Designated and Restricted Assets:		
Internally designated assets	672	277,218
Restricted assets	<u>242,210</u>	<u>80,556</u>
	242,882	357,774
Less amounts required to meet current liabilities	<u>242,882</u>	<u>357,774</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	9,390,910	7,511,960
Non-depreciable capital assets	<u>936,072</u>	<u>623,900</u>
	10,326,982	8,135,860
Deferred Financing Costs	77,168	32,443
Notes Receivable	<u>50,000</u>	<u>22,500</u>
Total assets	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,000	\$ 190,000
Accounts payable	635,694	578,356
Accrued employee compensation	497,069	459,005
Payroll taxes withheld and accrued	29,890	28,429
Estimated third-party payor settlements	--	444,000
Deferred revenue for succeeding year property tax receivable	<u>1,372,000</u>	<u>1,250,400</u>
Total current liabilities	<u>3,044,653</u>	<u>2,950,190</u>
Long-Term Debt:		
Note payable, less current maturities	67,500	97,500
Revenue bonds, less current maturities	<u>2,340,000</u>	<u>1,720,000</u>
Total long-term debt	<u>2,407,500</u>	<u>1,817,500</u>
Total liabilities	5,452,153	4,767,690
Net Assets:		
Invested in capital assets, net of related debt	7,003,926	5,779,942
Restricted - expendable	242,210	80,556
Unrestricted	<u>1,590,196</u>	<u>2,104,090</u>
Total net assets	<u>8,836,332</u>	<u>7,964,588</u>
 Total liabilities and net assets	 <u>\$ 14,288,485</u>	 <u>\$ 12,732,278</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Revenue:		
Net patient service revenue	\$ 10,355,628	\$ 9,189,319
Other revenue	<u>194,951</u>	<u>198,102</u>
Total revenue	10,550,579	9,387,421
Expenses:		
Nursing service	2,219,306	1,959,299
Other professional service	4,046,249	3,720,571
Physician clinic service	771,093	764,943
General service	1,245,219	1,156,084
Fiscal and administrative service	2,012,349	1,947,726
Provision for depreciation	<u>790,331</u>	<u>725,890</u>
Total expenses	<u>11,084,547</u>	<u>10,274,513</u>
Operating Loss	(533,968)	(887,092)
Non-Operating Revenues (Expenses):		
County taxes	1,282,244	1,283,702
Investment income	13,911	38,054
Noncapital grants and contributions	30,317	40,479
Loss on disposal of property and equipment	--	(5,272)
Interest expense	<u>(79,600)</u>	<u>(98,982)</u>
Non-operating revenues, net	<u>1,246,872</u>	<u>1,257,981</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	712,904	370,889
Capital Grants and Contributions	<u>158,840</u>	<u>327,847</u>
Increase in Net Assets	871,744	698,736
Net Assets Beginning of Year	<u>7,964,588</u>	<u>7,265,852</u>
Net Assets End of Year	<u>\$ 8,836,332</u>	<u>\$ 7,964,588</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 9,618,285	\$ 10,070,547
Cash paid to suppliers	(4,812,179)	(4,527,856)
Cash paid to employees	(5,507,752)	(4,937,577)
Other revenue	<u>194,951</u>	<u>198,102</u>
Net cash provided by (used in) operating activities	(506,695)	803,216
Cash flows from non-capital financing activities:		
County tax revenue	1,282,244	1,283,702
Noncapital grants and contributions	<u>30,317</u>	<u>40,479</u>
Net cash provided by non-capital financing activities	1,312,561	1,324,181
Cash flows from capital and related financing activities:		
Capital grants and contributions	158,840	327,847
Capital expenditures	(277,534)	(456,173)
Construction in progress expenditures	(2,592,664)	(1,970,900)
Principal paid on long-term debt	(190,000)	(217,272)
Proceeds from revenue bonds	1,100,000	--
Proceeds from note payable	--	150,000
Proceeds from sale of property and equipment	--	1,547
Interest paid	(86,231)	(96,339)
Deferred financing costs paid	<u>(47,486)</u>	<u>--</u>
Net cash used in capital and related financing activities	(1,935,075)	(2,261,290)
Cash flows from investing activities:		
Investment income	13,911	38,054
Change in notes receivable	(27,500)	(22,500)
Change in designated and restricted assets	<u>(107,070)</u>	<u>304,098</u>
Net cash provided by (used in) investing activities	(120,659)	319,652
Net increase (decrease) in cash and cash equivalents	(1,249,868)	185,759
Cash and cash equivalents at beginning of year	<u>1,650,586</u>	<u>1,464,827</u>
Cash and cash equivalents at end of year	<u>\$ 400,718</u>	<u>\$ 1,650,586</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 398,618	\$ 1,426,524
Cash and cash equivalents in designated and restricted assets	<u>2,100</u>	<u>224,062</u>
Total cash and cash equivalents	<u>\$ 400,718</u>	<u>\$ 1,650,586</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$(533,968)	\$(887,092)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	790,331	725,890
Change in assets and liabilities		
Accounts receivable	(80,343)	257,228
Inventory	(9,254)	4,498
Prepaid expense	(19,486)	(28,425)
Other current assets	8,025	(4,964)
Accounts payable, trade	(44,525)	58,121
Accrued employee compensation	38,064	42,085
Payroll taxes withheld and accrued	1,461	11,875
Estimated third-party payor settlements	(657,000)	624,000
Total adjustments	<u>27,273</u>	<u>1,690,308</u>
Net cash provided by (used in) operating activities	<u>\$(506,695)</u>	<u>\$ 803,216</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$157,315 in capital contributions from the Foundation during the year ended June 30, 2010 (\$327,381 in 2009). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$139,000 (\$202,000 in 2009) and a decrease in the change in net assets of approximately \$63,000 (\$81,000 decrease in 2009) for the year ended June 30, 2010.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized \$9,392 of interest cost in 2010 and none in 2009.

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned (maximum of 300 hours). Any excess accumulated over the maximum is to be used within 90 days. Certain employees have been allowed to accrue more than the maximum allowed vacation because these employees are unable to use their vacation due to their departments being understaffed. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

15. Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediary through June 30, 2008. The Hospital's Medicaid cost reports have been finalized by the fiscal intermediary through June 30, 2008. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Long-term debt	\$ 240,219	\$ 80,090
Purchase of property and equipment	<u>1,991</u>	<u>466</u>
	<u>\$ 242,210</u>	<u>\$ 80,556</u>

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2010 or 2009.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE C - RESTRICTED NET ASSETS - Continued

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	<u>2010</u>	<u>2009</u>
Payment of long-term debt	\$ --	\$ 20
Purchase of property and equipment	<u>157,315</u>	<u>327,381</u>
	<u>\$ 157,315</u>	<u>\$ 327,401</u>

NOTE D - DESIGNATED NET ASSETS

Of the \$1,590,196 (\$2,104,090 as of June 30, 2009) of unrestricted net assets as of June 30, 2010, \$672 (\$277,218 for 2009) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2010 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2010</u>	<u>2009</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 109	\$ 223,596
Certificates of deposit	--	52,879
GNMA pool	563	634
Interest receivable	<u>--</u>	<u>109</u>
	<u>\$ 672</u>	<u>\$ 277,218</u>
Restricted Assets:		
Certificates of deposit	\$ 240,219	\$ 80,090
Cash and cash equivalents	<u>1,991</u>	<u>466</u>
	<u>\$ 242,210</u>	<u>\$ 80,556</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2010 and 2009, was as follows:

	<u>2010</u>	<u>2009</u>
Receivable from:		
Patients	\$ 363,361	\$ 307,033
Medicare	724,777	555,036
Medicaid	36,318	42,931
Blue Cross	190,262	281,690
Other commercial insurance carriers	<u>348,778</u>	<u>366,978</u>
	1,663,496	1,553,668
Less allowances for doubtful accounts and contractual adjustments	<u>421,100</u>	<u>386,500</u>
	<u>\$ 1,242,396</u>	<u>\$ 1,167,168</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2010 and 2009 were as follows:

<u>Cost</u>	<u>Balance 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2010</u>
Land Improvements	\$ 398,525	\$ 614,216	\$ --	\$ 1,012,741
Buildings	8,157,269	1,494,951	--	9,652,220
Fixed Equipment	1,560,083	166,428	4,199	1,722,312
Major Movable Equipment	<u>3,303,897</u>	<u>393,686</u>	<u>--</u>	<u>3,697,583</u>
	13,419,774	2,669,281	4,199	16,084,856
<u>Depreciation</u>				
Land Improvements	224,486	61,959	--	286,445
Buildings	2,797,064	319,009	--	3,116,073
Fixed Equipment	817,006	118,789	4,199	931,596
Major Movable Equipment	<u>2,069,258</u>	<u>290,574</u>	<u>--</u>	<u>2,359,832</u>
Total Depreciation	<u>5,907,814</u>	<u>790,331</u>	<u>4,199</u>	<u>6,693,946</u>
Total Depreciable Capital Assets, Net	<u>\$ 7,511,960</u>	<u>\$1,878,950</u>	<u>\$ --</u>	<u>\$ 9,390,910</u>
Construction in Progress	\$ 563,874	\$2,476,860	\$2,202,342	\$ 838,392
Land	<u>60,026</u>	<u>37,654</u>	<u>--</u>	<u>97,680</u>
Total Non-Depreciable Capital Assets	<u>\$ 623,900</u>	<u>\$2,514,514</u>	<u>\$2,202,342</u>	<u>\$ 936,072</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2009</u>
Land Improvements	\$ 336,069	\$ 62,456	\$ --	\$ 398,525
Buildings	6,443,304	1,713,965	--	8,157,269
Fixed Equipment	1,546,442	13,641	--	1,560,083
Major Movable Equipment	<u>2,829,736</u>	<u>522,473</u>	<u>48,312</u>	<u>3,303,897</u>
	11,155,551	2,312,535	48,312	13,419,774
<u>Depreciation</u>				
Land Improvements	202,485	22,001	--	224,486
Buildings	2,513,893	283,171	--	2,797,064
Fixed Equipment	701,437	115,569	--	817,006
Major Movable Equipment	<u>1,805,602</u>	<u>305,149</u>	<u>41,493</u>	<u>2,069,258</u>
Total Depreciation	<u>5,223,417</u>	<u>725,890</u>	<u>41,493</u>	<u>5,907,814</u>
Total Depreciable Capital Assets, Net	<u>\$ 5,932,134</u>	<u>\$1,586,645</u>	<u>\$ 6,819</u>	<u>\$ 7,511,960</u>
Construction in Progress	\$ 254,386	\$2,202,618	\$1,893,130	\$ 563,874
Land	<u>21,383</u>	<u>38,643</u>	<u>--</u>	<u>60,026</u>
Total Non-Depreciable Capital Assets	<u>\$ 275,769</u>	<u>\$2,241,261</u>	<u>\$1,893,130</u>	<u>\$ 623,900</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2010 and 2009 follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2010</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 127,500	\$ --	\$ 30,000	\$ 97,500	\$ 30,000
Series 2006 Revenue Bonds	1,880,000	--	160,000	1,720,000	160,000
Series 2009 Revenue Bonds	<u>--</u>	<u>1,100,000</u>	<u>--</u>	<u>1,100,000</u>	<u>320,000</u>
Total Non-Current Liabilities	<u>\$2,007,500</u>	<u>\$1,100,000</u>	<u>\$ 190,000</u>	<u>\$2,917,500</u>	<u>\$ 510,000</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2009</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ --	\$ 150,000	\$ 22,500	\$ 127,500	\$ 30,000
Series 2006 Revenue Bonds	2,040,000	--	160,000	1,880,000	160,000
Capital Lease Obligations	<u>34,772</u>	<u>--</u>	<u>34,772</u>	<u>--</u>	<u>--</u>
Total Non-Current Liabilities	<u>\$2,074,772</u>	<u>\$ 150,000</u>	<u>\$ 217,272</u>	<u>\$2,007,500</u>	<u>\$ 190,000</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in twenty equal quarterly installments commencing November 15, 2008. The loan is collateralized by the Hospital's net revenues.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. Under the bond agreement, the Hospital has the option to draw up to the full \$3,200,000 as their phased construction project (described in Note J) develops. Through June 30, 2010, the Hospital had drawn \$1,100,000 on these bonds to pay for issuance costs of the bonds and construction costs incurred through June 30, 2010. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. Commencing September 30, 2010, the bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan and bonds is expected to require less than 40% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$279,000 and \$1,742,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 209

NOTE H - NON-CURRENT LIABILITIES - Continued

Under the terms of the bond resolutions, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital is subject to a prepayment penalty of 3% of the unpaid principal balance if such prepayment is on or before the first interest rate adjustment date.

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2011	\$ 510,000	\$ 105,600	\$ 615,600
2012	510,000	86,400	596,400
2013	510,000	67,200	577,200
2014	307,500	49,200	356,700
2015	160,000	40,800	200,800
2016-2020	800,000	108,000	908,000
2021	<u>120,000</u>	<u>2,400</u>	<u>122,400</u>
	<u>\$ 2,917,500</u>	<u>\$ 459,600</u>	<u>\$ 3,377,100</u>

NOTE I - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% (4.50% beginning July 1, 2010) of their annual salary and the Hospital is required to contribute 6.65% (6.95% beginning July 1, 2010) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008, were approximately \$365,000, \$311,100, and \$270,200, respectively, equal to the required contributions for each year.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE J - COMMITMENTS AND CONTINGENCIES

Other Post Employment Benefits (OPEB)

The Hospital implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Note Payable

The Hospital has entered into an agreement with the Guthrie County Rural Electric Cooperative Association (the cooperative) under the Rural Economic Development Loan and Grant Program. Under the terms of the agreement, \$183,050 was advanced to the Hospital through a non-interest bearing note, payable in 40 equal quarterly installments through June, 2013. Through a separate agreement, the Hospital subsequently loaned the \$183,050 to Little Panther Daycare (the daycare) to be used for the construction of a daycare facility in Panora, Iowa. This note receivable from the daycare is also non-interest bearing. It is payable in 120 equal monthly installments through June, 2013 and is secured by a mortgage agreement on the daycare's assets. The note receivable from the daycare is further guaranteed by three area businesses who each separately entered into agreements with the Hospital guaranteeing 25% of the total amount owed by the daycare to the Hospital after the sale of collateral. The offsetting note receivable and note payable of \$54,915 at June 30, 2010 (\$73,220 at June 30, 2009) have not been recorded on the Hospital's balance sheet.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional who began practicing in the community in August, 2010. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2010 and 2009

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

During the year ended June 30, 2009, the Hospital began a construction project encompassing the extension of an existing wing of the Hospital, and the addition of a medical office building attached to the main Hospital building. By June 30, 2010, the addition to the wing was completed and the medical office building was under construction. The medical office building has an estimated total cost of \$870,000. At June 30, 2010, costs incurred on the medical office building totaled \$803,411. Financing for the project is being provided through the issuance of Hospital Revenue Bonds (Note H) and by funds generated internally. The remaining \$34,981 in construction in progress at June 30, 2010 is related to various smaller projects for which no further commitments exist as of the date of this report.

As of June 30, 2010, the Hospital has also entered into separate agreements to purchase various equipment items. The total estimated cost of all the equipment is \$690,000. At June 30, 2010, costs incurred on the equipment totaled \$179,758, and are included in major moveable equipment on the Hospital's financial statements. Funding for the equipment is being provided by funds generated internally.

Subsequent Events

The Hospital has evaluated all subsequent events through September 17, 2010, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,282,244	\$ --	\$ 1,282,244
Other revenues	10,515,207	158,840	10,674,047
Transfers in (out)	<u>157,315</u>	<u>(157,315)</u>	<u>--</u>
	11,954,766	1,525	11,956,291
Expenses	<u>11,084,547</u>	<u>--</u>	<u>11,084,547</u>
Net	870,219	1,525	871,744
Balance beginning of year	<u>7,964,122</u>	<u>466</u>	<u>7,964,588</u>
Balance end of year	<u>\$ 8,834,341</u>	<u>\$ 1,991</u>	<u>\$ 8,836,332</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Amended Budget
Amount raised by taxation	\$ 1,282,244	\$ --	\$ 1,282,244	\$ 1,250,355
Other revenues	<u>10,674,047</u>	<u>79,600</u>	<u>10,753,647</u>	<u>10,720,040</u>
	11,956,291	79,600	12,035,891	11,970,395
Expenses	<u>11,084,547</u>	<u>79,600</u>	<u>11,164,147</u>	<u>11,600,000</u>
Net	871,744	--	871,744	370,395
Balance beginning of year	<u>7,964,588</u>	<u>(426,676)</u>	<u>7,537,912</u>	<u>7,537,912</u>
Balance end of year	<u>\$ 8,836,332</u>	<u>\$(426,676)</u>	<u>\$ 8,409,656</u>	<u>\$ 7,908,307</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2010		2009	
	Amount	Percent To Total	Amount	Percent To Total
In hospital - 30	\$ 1,079,736	65%	\$ 1,012,058	65%
31 - 60	327,070	20	274,790	18
61 - 90	93,435	6	101,318	7
91 - 150	64,273	4	85,685	5
151 - 180	24,103	1	37,651	2
181 and over	74,879	4	42,166	3
	<u>1,663,496</u>	<u>100%</u>	<u>1,553,668</u>	<u>100%</u>
Allowance for doubtful accounts	144,100		137,500	
Allowance for contractual adjustments	<u>277,000</u>		<u>249,000</u>	
	<u>\$ 1,242,396</u>		<u>\$ 1,167,168</u>	

Allowance for Doubtful Accounts:

	Year ended June 30,	
	2010	2009
Balance, beginning	\$ 137,500	\$ 255,000
Provision for bad debts	372,908	451,620
Recoveries of accounts previously written off	<u>264,653</u>	<u>363,164</u>
	775,061	1,069,784
Accounts written off	<u>630,961</u>	<u>932,284</u>
Balance, ending	<u>\$ 144,100</u>	<u>\$ 137,500</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2010</u>	<u>2009</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 51,866	\$ 61,590
Laboratory	28,364	25,518
Pharmacy	106,919	90,787
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 206,368</u>	<u>\$ 197,114</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 9,279	\$ 12,256
Service contracts and dues	<u>106,370</u>	<u>83,907</u>
	<u>\$ 115,649</u>	<u>\$ 96,163</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	2010	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 997,777	\$ --
Special care	--	--
Swing bed	--	--
	<u>997,777</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	122,126
Operating and recovery rooms	33,408	795,760
Emergency room	127,573	643,282
Central services and supply	40,587	125,196
Intravenous therapy	39,634	53,572
Observation	56,492	231,367
	<u>297,694</u>	<u>1,971,303</u>
Other Professional Services:		
Emergency room physicians	43,106	319,551
Laboratory	273,617	2,004,185
Blood	6,409	42,275
Electrocardiology	14,609	65,439
Radiology	50,293	380,647
CT scan	172,230	1,218,612
Ultrasound	16,272	242,231
Mammography	--	113,089
Nuclear imaging	1,266	15,266
MRI	10,232	383,585
Pharmacy	249,628	584,472
Anesthesia	8,630	116,791
Respiratory therapy	289,377	216,726
Speech therapy	1,203	40,318
Physical therapy	30,227	661,353
Occupational therapy	2,417	140,433
Outpatient clinics	266	57,247
Diabetic education	--	14,116
Hospice	--	--
Clinic professional fees	--	--
	<u>1,169,782</u>	<u>6,616,336</u>
	<u>\$ 2,465,253</u>	<u>\$ 8,587,639</u>

See Independent Auditor's Report.

	2010		2009
Swing Bed	Clinic	Total	Total
\$ --	\$ --	\$ 997,777	\$ 942,709
--	--	--	1,468
<u>378,222</u>	<u>--</u>	<u>378,222</u>	<u>387,040</u>
378,222	--	1,375,999	1,331,217
--	--	122,126	180,820
--	--	829,168	642,782
--	--	770,855	596,372
15,385	--	181,168	205,262
10,012	--	103,218	88,879
<u>--</u>	<u>--</u>	<u>287,859</u>	<u>392,078</u>
25,397	--	2,294,394	2,106,193
163	--	362,820	333,964
102,325	12,864	2,392,991	2,377,459
4,199	--	52,883	52,955
2,571	--	82,619	121,406
12,393	--	443,333	423,045
19,877	--	1,410,719	1,355,234
6,499	--	265,002	281,849
--	--	113,089	115,085
909	--	17,441	28,823
1,894	--	395,711	454,892
241,846	34,137	1,110,083	1,078,816
--	--	125,421	139,154
266,545	--	772,648	749,725
10,630	--	52,151	24,039
144,871	--	836,451	752,077
47,127	--	189,977	162,585
--	--	57,513	48,353
--	--	14,116	20,875
14,700	--	14,700	40,480
<u>--</u>	<u>529,769</u>	<u>529,769</u>	<u>404,379</u>
<u>876,549</u>	<u>576,770</u>	<u>9,239,437</u>	<u>8,965,195</u>
<u>\$ 1,280,168</u>	<u>\$ 576,770</u>	<u>\$ 12,909,830</u>	<u>\$ 12,402,605</u>

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2010</u>	<u>2009</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 12,909,830	\$ 12,402,605
Contractual adjustments	(2,119,415)	(2,678,902)
Provision for bad debts	(372,908)	(451,620)
Charity care	(61,879)	(82,764)
	<u>\$ 10,355,628</u>	<u>\$ 9,189,319</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 25,168	\$ 18,247
Congregate meals	54,399	55,956
Ancillary service coverage revenue	21,716	22,661
Outpatient clinic rental	30,744	33,555
Fitness center	49,606	53,378
Wellness revenue	2,180	3,340
Pharmacy student income	5,000	8,500
Miscellaneous income	6,138	2,465
	<u>\$ 194,951</u>	<u>\$ 198,102</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Administrative:		
Salaries and wages	\$ 84,141	\$ 78,816
Employee benefits	16,972	15,684
Supplies and other expense	<u>1,217</u>	<u>1,159</u>
	102,330	95,659
Medical, Surgical and Obstetric:		
Salaries and wages	923,208	846,237
Employee benefits	299,014	243,910
Supplies and other expense	<u>151,913</u>	<u>111,424</u>
	1,374,135	1,201,571
Cardiac Rehabilitation:		
Salaries and wages	70,182	76,634
Employee benefits	14,943	10,600
Supplies and other expense	<u>4,312</u>	<u>24,753</u>
	89,437	111,987
Operating and Recovery Rooms:		
Salaries and wages	72,786	60,168
Employee benefits	20,288	15,877
Purchased services	25,935	--
Supplies and other expense	<u>79,787</u>	<u>109,282</u>
	198,796	185,327
Emergency Room:		
Salaries and wages	194,689	142,091
Employee benefits	56,814	37,333
Supplies and other expense	<u>80,314</u>	<u>73,206</u>
	331,817	252,630

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Central Services and Supply:		
Salaries and wages	\$ 68,202	\$ 67,128
Employee benefits	33,915	28,731
Supplies and other expense	<u>17,089</u>	<u>13,879</u>
	119,206	109,738
Intravenous Therapy:		
Supplies and other expense	<u>3,585</u>	<u>2,387</u>
	<u>\$ 2,219,306</u>	<u>\$ 1,959,299</u>

SUMMARY

Salaries and wages	\$ 1,413,208	\$ 1,271,074
Employee benefits	441,946	352,135
Other expense	<u>364,152</u>	<u>336,090</u>
	<u>\$ 2,219,306</u>	<u>\$ 1,959,299</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Emergency Room Professional:		
Salaries and wages	\$ 675,108	\$ 396,192
Employee benefits	121,512	60,766
Professional fees	44,789	295,315
	<u>841,409</u>	<u>752,273</u>
Laboratory:		
Salaries and wages	243,683	251,754
Employee benefits	86,198	87,924
Professional fees	2,188	4,594
Supplies and other expense	292,736	256,989
	<u>624,805</u>	<u>601,261</u>
Blood:		
Blood	33,073	34,548
Supplies and other expense	--	56
	<u>33,073</u>	<u>34,604</u>
Electrocardiology:		
Salaries and wages	4,736	5,298
Employee benefits	1,165	1,284
Supplies and other expense	973	2,897
	<u>6,874</u>	<u>9,479</u>
Radiology:		
Salaries and wages	199,729	200,311
Employee benefits	54,147	50,834
Supplies and other expense	102,359	97,358
	<u>356,235</u>	<u>348,503</u>
CT Scan:		
Salaries and wages	18,391	18,465
Employee benefits	4,242	3,933
Supplies and other expense	121,632	109,557
	<u>144,265</u>	<u>131,955</u>
Ultrasound:		
Salaries and wages	6,982	7,262
Employee benefits	2,688	2,450
Supplies and other expense	48,670	32,823
	<u>58,340</u>	<u>42,535</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Mammography:		
Salaries and wages	\$ 6,604	\$ 6,529
Employee benefits	1,780	1,563
Supplies and other expense	<u>12,956</u>	<u>11,530</u>
	21,340	19,622
Nuclear Imaging:		
Supplies and other expense	8,582	13,873
MRI:		
Supplies and other expense	53,315	61,975
Pharmacy:		
Salaries and wages	280,845	284,330
Employee benefits	76,362	69,971
Professional fees	33,636	1,767
Drugs	234,228	203,023
Supplies and other expense	<u>23,952</u>	<u>20,860</u>
	649,023	579,951
Anesthesia:		
Professional fees	115,740	107,400
Supplies and other expense	<u>1,202</u>	<u>4,424</u>
	116,942	111,824
Respiratory Therapy:		
Salaries and wages	108,201	101,922
Employee benefits	22,408	18,720
Oxygen, supplies and other expense	<u>69,665</u>	<u>80,995</u>
	200,274	201,637
Speech Therapy:		
Professional fees	34,170	18,408
Physical Therapy:		
Salaries and wages	233,589	223,667
Employee benefits	80,134	66,843
Supplies and other expense	<u>18,950</u>	<u>19,983</u>
	332,673	310,493
Occupational Therapy:		
Professional fees	61,260	56,080
Supplies and other expense	<u>288</u>	<u>574</u>
	61,548	56,654

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Medical Records:		
Salaries and wages	\$ 204,795	\$ 177,483
Employee benefits	79,097	50,319
Supplies and other expense	<u>56,309</u>	<u>35,431</u>
	340,201	263,233
Social Services:		
Salaries and wages	26,221	33,425
Employee benefits	9,654	11,162
Supplies and other expense	<u>512</u>	<u>856</u>
	36,387	45,443
Outpatient Clinics:		
Salaries and wages	29,104	28,596
Employee benefits	7,945	7,160
Supplies and other expense	<u>5,105</u>	<u>3,175</u>
	42,154	38,931
Fitness Center:		
Salaries and wages	37,681	38,355
Employee benefits	13,121	12,657
Supplies and other expense	<u>10,041</u>	<u>6,058</u>
	60,843	57,070
Diabetic Education:		
Salaries and wages	18,885	16,987
Employee benefits	3,671	2,518
Supplies and other expense	<u>1,240</u>	<u>1,342</u>
	<u>23,796</u>	<u>20,847</u>
	<u>\$ 4,046,249</u>	<u>\$ 3,720,571</u>

SUMMARY

Salaries and wages	\$ 2,094,554	\$ 1,790,576
Employee benefits	564,124	448,104
Professional fees	291,783	483,564
Other expense	<u>1,095,788</u>	<u>998,327</u>
	<u>\$ 4,046,249</u>	<u>\$ 3,720,571</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Clinic Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Physician Service:		
Salaries and wages	\$ 320,421	\$ 222,396
Employee benefits	59,247	41,249
Professional fees	--	44,134
Supplies and other expense	<u>12,860</u>	<u>31,896</u>
	392,528	339,675
Nursing Service:		
Salaries and wages	107,999	86,294
Employee benefits	36,835	32,529
Medical supplies	23,552	43,093
Supplies and other expense	<u>4,611</u>	<u>5,915</u>
	172,997	167,831
Business Office:		
Salaries and wages	99,935	131,250
Employee benefits	37,950	38,543
Supplies and other expense	<u>36,862</u>	<u>61,096</u>
	174,747	230,889
Occupancy Costs:		
Rent	4,825	3,344
Utilities	<u>25,996</u>	<u>23,204</u>
	<u>30,821</u>	<u>26,548</u>
	<u>\$ 771,093</u>	<u>\$ 764,943</u>

SUMMARY

Salaries and wages	\$ 528,355	\$ 439,940
Employee benefits	134,032	112,321
Professional fees	--	44,134
Other expense	<u>108,706</u>	<u>168,548</u>
	<u>\$ 771,093</u>	<u>\$ 764,943</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Dietary:		
Salaries and wages	\$ 166,962	\$ 156,155
Employee benefits	84,018	68,046
Food	106,915	106,691
Supplies and other expense	<u>27,014</u>	<u>25,165</u>
	384,909	356,057
Operation of Plant:		
Salaries and wages	222,522	222,790
Employee benefits	56,283	52,027
Electricity	119,828	103,130
Gas	96,388	105,800
Supplies and other expense	<u>123,806</u>	<u>92,241</u>
	618,827	575,988
Housekeeping:		
Salaries and wages	120,633	123,014
Employee benefits	71,494	65,427
Supplies and other expense	<u>32,242</u>	<u>25,015</u>
	224,369	213,456
Laundry and Linen:		
Purchased services	15,299	8,317
Supplies and other expense	<u>1,815</u>	<u>2,266</u>
	<u>17,114</u>	<u>10,583</u>
	<u>\$ 1,245,219</u>	<u>\$ 1,156,084</u>

SUMMARY

Salaries and wages	\$ 510,117	\$ 501,959
Employee benefits	211,795	185,500
Other expense	<u>523,307</u>	<u>468,625</u>
	<u>\$ 1,245,219</u>	<u>\$ 1,156,084</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Fiscal and Administrative:		
Salaries and wages	\$ 628,078	\$ 632,378
Employee benefits	193,435	168,585
Advertising	47,034	27,834
Telephone	25,753	23,151
Supplies and minor equipment	38,614	35,729
Collection expense	53,798	50,070
Computer maintenance	50,575	42,067
Education and meetings	7,899	12,538
Professional fees	93,673	115,237
Printing and postage	8,497	5,666
Purchased services	43,375	21,330
Dues and subscriptions	15,559	14,822
	<u>1,206,290</u>	<u>1,149,407</u>
Admissions Office:		
Salaries and wages	124,394	126,681
Employee benefits	60,371	43,763
Supplies and other expense	9,205	10,542
	<u>193,970</u>	<u>180,986</u>
Information Systems:		
Salaries and wages	120,203	94,131
Employee benefits	36,145	31,357
Supplies and other expense	38,676	14,577
	<u>195,024</u>	<u>140,065</u>
Employee Welfare:		
Salaries and wages	126,907	122,923
Employee benefits	36,247	26,890
Group health and life benefit	74,468	73,478
Workers' compensation insurance	61,624	75,557
Unemployment expense	5,454	3,606
Supplies and other expense	30,947	92,148
	<u>335,647</u>	<u>394,602</u>
Insurance:		
Liability and property insurance	<u>81,418</u>	<u>82,666</u>
	<u>\$ 2,012,349</u>	<u>\$ 1,947,726</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 999,582	\$ 976,113
Employee benefits	498,691	515,384
Professional fees	93,673	115,237
Other expense	<u>420,403</u>	<u>340,992</u>
	<u>\$ 2,012,349</u>	<u>\$ 1,947,726</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 5,545,816	\$ 4,979,662
Employee benefits	1,850,588	1,613,444
Professional fees	385,456	642,935
Other expense	<u>2,512,356</u>	<u>2,312,582</u>
	<u>\$ 10,294,216</u>	<u>\$ 9,548,623</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Acute Care:					
Admissions	363	357	280	316	302
Discharges	363	356	283	317	304
Patient days	1,046	1,033	810	919	896
Average length of stay	2.88	2.90	2.86	2.90	2.95
Average occupied beds	2.9	2.8	2.2	2.5	2.5
Swing Bed Program:					
Admissions	162	160	120	127	118
Discharges	161	163	117	128	115
Patient days	1,128	1,180	737	799	718
Combined Average Occupied Beds	6.0	6.1	4.2	4.7	4.4
Outpatient Occasions of Service	31,555	30,356	29,492	26,402	25,285

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Balance Sheets
June 30,

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 398,618	\$ 1,426,524
Patient receivables, net	1,242,396	1,167,168
Other receivables	23,957	18,842
Inventory	206,368	197,114
Prepaid expense	115,649	96,163
Other current assets	19,465	27,490
Estimated third-party payor settlements	213,000	--
Succeeding year property tax receivable	1,372,000	1,250,400
Internally designated assets	<u>242,882</u>	<u>357,774</u>
Total current assets	3,834,335	4,541,475
Other Assets:		
Designated and restricted assets, net	--	--
Capital assets, net	10,326,982	8,135,860
Deferred financing costs	77,168	32,443
Notes receivable	<u>50,000</u>	<u>22,500</u>
Total other assets	<u>10,454,150</u>	<u>8,190,803</u>
Total assets	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,000	\$ 190,000
Accounts payable	635,694	578,356
Accrued expenses	526,959	487,434
Estimated third-party payor settlements	--	444,000
Accrued interest	--	--
Deferred revenue for succeeding year property tax receivable	<u>1,372,000</u>	<u>1,250,400</u>
Total current liabilities	3,044,653	2,950,190
Long-Term Debt, Net	<u>2,407,500</u>	<u>1,817,500</u>
Total liabilities	5,452,153	4,767,690
Net Assets	<u>8,836,332</u>	<u>7,964,588</u>
Total liabilities and net assets	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>

See Independent Auditor's Report.

<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 749,607	\$ 463,003	\$ 555,869
1,424,981	1,215,436	1,105,626
18,257	24,590	39,414
201,612	163,866	171,111
67,738	62,795	65,148
22,526	22,761	15,156
180,000	58,500	--
1,241,200	1,156,100	1,241,400
<u>342,040</u>	<u>317,476</u>	<u>188,137</u>
4,247,961	3,484,527	3,381,861
810,990	--	235,688
6,207,903	5,241,914	3,833,797
35,204	37,506	36,000
--	--	--
<u>7,054,097</u>	<u>5,279,420</u>	<u>4,105,485</u>
<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>	<u>\$ 7,487,346</u>
\$ 194,772	\$ 262,000	\$ 97,500
286,642	307,614	285,159
433,474	385,071	294,110
--	--	1,000
118	435	875
<u>1,241,200</u>	<u>1,156,100</u>	<u>1,241,400</u>
2,156,206	2,111,220	1,920,044
<u>1,880,000</u>	<u>474,242</u>	<u>336,270</u>
4,036,206	2,585,462	2,256,314
<u>7,265,852</u>	<u>6,178,485</u>	<u>5,231,032</u>
<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>	<u>\$ 7,487,346</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Patient Service Revenue	\$ 12,909,830	\$ 12,402,605
Adjustments to Patient Service Revenue	<u>(2,554,202)</u>	<u>(3,213,286)</u>
Net Patient Service Revenue	10,355,628	9,189,319
Other Revenue	<u>194,951</u>	<u>198,102</u>
Total Revenue	10,550,579	9,387,421
Expenses	<u>11,084,547</u>	<u>10,274,513</u>
Operating Loss	(533,968)	(887,092)
Non-Operating Revenues, Net	<u>1,246,872</u>	<u>1,257,981</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	712,904	370,889
Capital Grants and Contributions	<u>158,840</u>	<u>327,847</u>
Increase in Net Assets	<u>\$ 871,744</u>	<u>\$ 698,736</u>

See Independent Auditor's Report.

<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 11,878,840	\$ 10,436,866	\$ 9,282,260
<u>(3,160,389)</u>	<u>(2,569,052)</u>	<u>(1,865,805)</u>
8,718,451	7,867,814	7,416,455
<u>193,380</u>	<u>212,791</u>	<u>203,416</u>
8,911,831	8,080,605	7,619,871
<u>9,280,271</u>	<u>8,499,470</u>	<u>8,074,333</u>
(368,440)	(418,865)	(454,462)
<u>1,205,807</u>	<u>1,335,818</u>	<u>861,293</u>
837,367	916,953	406,831
<u>250,000</u>	<u>30,500</u>	<u>56,100</u>
<u>\$ 1,087,367</u>	<u>\$ 947,453</u>	<u>\$ 462,931</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie County Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Guthrie County Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 10-I-A to be a significant deficiency.

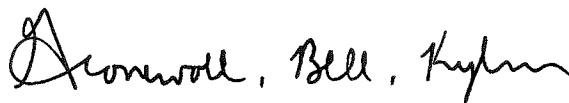
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Guthrie County Hospital and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

 & Co. P.C.

Atlantic, Iowa
September 17, 2010

GUTHRIE COUNTY HOSPITAL
Schedule of Findings
Year ended June 30, 2010

PART I - SIGNIFICANT DEFICIENCIES

10-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural Hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

10-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2010 did not exceed the amount budgeted.

10-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee Recognition Dinner	\$ 2,579

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

10-II-C Travel Expenses: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

GUTHRIE COUNTY HOSPITAL
Schedule of Findings
Year ended June 30, 2010

PART II - REQUIRED STATUTORY REPORTING - Continued

10-II-D Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

10-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

10-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy.

* * *